

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEVADA**

In re: Rhodes Arizona Properties, LLC, an Arizona Limited
Liability Company

Case No. 09-14868

CHAPTER 11 MONTHLY OPERATING REPORT (GENERAL BUSINESS CASE)

SUMMARY OF FINANCIAL STATUS

MONTH ENDED: May-09

PETITION DATE: 03/31/09

1. Debtor in possession (or trustee) hereby submits this Monthly Operating Report on the Accrual Basis of accounting (or if checked here the Office of the U.S. Trustee or the Court has approved the Cash Basis of Accounting for the Debtor).
Dollars reported in \$1

	<u>End of Current Month</u>	<u>End of Prior Month</u>	<u>As of Petition Filing</u>
2. Asset and Liability Structure			
a. Current Assets	\$200,000	\$200,000	
b. Total Assets	\$5,980,887	\$5,980,935	
c. Current Liabilities	\$80,997	\$40,568	
d. Total Liabilities	\$3,595,646	\$3,554,717	
			<u>Cumulative (Case to Date)</u>
3. Statement of Cash Receipts & Disbursements for Month			
a. Total Receipts	\$325	\$200,000	\$200,325
b. Total Disbursements	\$325	\$200,000	\$200,325
c. Excess (Deficiency) of Receipts Over Disbursements (a - b)	\$0	\$0	\$0
d. Cash Balance Beginning of Month	\$200,000	\$200,000	\$200,000
e. Cash Balance End of Month (c + d)	\$200,000	\$200,000	\$200,000
			<u>Cumulative (Case to Date)</u>
4. Profit/(Loss) from the Statement of Operations			
5. Account Receivables (Pre and Post Petition)			
6. Post-Petition Liabilities			
7. Past Due Post-Petition Account Payables (over 30 days)			

At the end of this reporting month:

8.	Have any payments been made on pre-petition debt, other than payments in the normal course to secured creditors or lessors? (if yes, attach listing including date of payment, amount of payment and name of payee)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
9.	Have any payments been made to professionals? (if yes, attach listing including date of payment, amount of payment and name of payee)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
10.	If the answer is yes to 8 or 9, were all such payments approved by the court?	<input type="checkbox"/>	<input type="checkbox"/>
11.	Have any payments been made to officers, insiders, shareholders, relatives? (if yes, attach listing including date of payment, amount and reason for payment, and name of payee)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
12.	Is the estate insured for replacement cost of assets and for general liability?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
13.	Are a plan and disclosure statement on file?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
14.	Was there any post-petition borrowing during this reporting period?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
15.	Check if paid: Post-petition taxes <input checked="" type="checkbox"/> ; U.S. Trustee Quarterly Fees <input checked="" type="checkbox"/> ; Check if filing is current for: Post-petition tax reporting and tax returns: <input checked="" type="checkbox"/> . (Attach explanation, if post-petition taxes or U.S. Trustee Quarterly Fees are not paid current or if post-petition tax reporting and tax return filings are not current.)		

I declare under penalty of perjury I have reviewed the above summary and attached financial statements, and after making reasonable inquiry believe these documents are correct.

Date: 6/18/07

Responsible Individual

Revised 1/1/98

STATEMENT OF OPERATIONS

(General Business Case)

Attach an Explanation of Variance to Statement of Operations (For variances greater than +/- 10% only):

BALANCE SHEET
(General Business Case)
For the Month Ended 05/31/09

Assets

		<u>From Schedules</u>	<u>Market Value</u>
1	Cash and cash equivalents - unrestricted		\$200,000
2	Cash and cash equivalents - restricted		
3	Accounts receivable (net)	A	\$0
4	Inventory	B	\$0
5	Prepaid expenses		
6	Professional retainers		
7	Other: _____		
8			
9	Total Current Assets		\$200,000
	Property and Equipment (Market Value)		
10	Real property	C	\$3,269,668
11	Machinery and equipment	D	\$4,408
12	Furniture and fixtures	D	\$0
13	Office equipment	D	\$0
14	Leasehold improvements	D	\$0
15	Vehicles	D	\$0
16	Other: _____	D	
17	Capitalized Interest	D	\$2,506,811
18		D	
19		D	
20		D	
21	Total Property and Equipment		\$5,780,887
	Other Assets		
22	Loans to shareholders		
23	Loans to affiliates		
24			
25			
26			
27			
28	Total Other Assets		\$0
29	Total Assets		\$5,980,887

NOTE:

Indicate the method used to estimate the market value of assets (e.g., appraisals; familiarity with comparable market prices, etc.) and the date the value was determined.

Liabilities and Equity
(General Business Case)

Liabilities From Schedules**Post-Petition****Current Liabilities**

30	Salaries and wages	
31	Payroll taxes	
32	Real and personal property taxes	
33	Income taxes	
34	Sales taxes	
35	Notes payable (short term)	
36	Accounts payable (trade)	A
37	Real property lease arrearage	\$0
38	Personal property lease arrearage	
39	Accrued professional fees	
40	Current portion of long-term post-petition debt (due within 12 months)	
41	Other: Note Payable - Heritage LOC	\$80,997
42		
43		
44	Total Current Liabilities	\$80,997

Long-Term Post-Petition Debt, Net of Current Portion

45	Total Post-Petition Liabilities	\$80,997
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Pre-Petition Liabilities (allowed amount)

47	Secured claims	F	\$0
48	Priority unsecured claims	F	\$0
49	General unsecured claims	F	\$3,514,649
50	Total Pre-Petition Liabilities		\$3,514,649
51	Total Liabilities		\$3,595,646

Equity (Deficit)

52	Retained Earnings/(Deficit) at time of filing		\$122,352
53	Capital Stock		\$2,343,981
54	Additional paid-in capital		
55	Cumulative profit/(loss) since filing of case		(\$81,092)
56	Post-petition contributions/(distributions) or (draws)		
57			
58	Market value adjustment		
59	Total Equity (Deficit)		\$2,385,241
60	Total Liabilities and Equity (Deficit)		\$5,980,887

SCHEDULES TO THE BALANCE SHEET (General Business Case)

Schedule A

Accounts Receivable and (Net) Payable

Receivables and Payables Agings	Accounts Receivable [Pre and Post Petition]	Accounts Payable [Post Petition]	Past Due Post Petition Debt
0 -30 Days	\$0	\$0	
31-60 Days			
61-90 Days			
91+ Days			\$0
Total accounts receivable/payable	\$0	\$0	
Allowance for doubtful accounts			
Accounts receivable (net)	\$0		

Schedule B

Inventory/Cost of Goods Sold

<u>Types and Amount of Inventory(ies)</u>	<u>Inventory(ies)</u> <u>Balance at</u> <u>End of Month</u>	<u>Cost of Goods Sold</u>
Retail/Restaurants - Product for resale	_____	Inventory Beginning of Month Add - Net purchase Direct labor Manufacturing overhead Freight in Other: _____
Distribution - Products for resale	_____	Less - Inventory End of Month Shrinkage Personal Use _____
Manufacturer - Raw Materials Work-in-progress Finished goods	_____	Cost of Goods Sold _____
Other - Explain	_____	\$0
TOTAL	_____	\$0

Method of Inventory Control

Do you have a functioning perpetual inventory system?

How often do you take a complete physical inventory?

Weekly

Monthly

Quarterly

Semi-annually

Annually _____

Annually _____

Date of next physical inventory is

Inventory Valuation Methods

Indicate by a checkmark method of inventory used

Valuation methods -

EIEO cost

LIFO cost

Lower of cost or market

Lower of cost

Retail

Other

Schedule C
Real Property

Description	<u>Cost</u>	<u>Market Value</u>
Total	<u>\$0</u>	<u>\$0</u>

Schedule D
Other Depreciable Assets

Description	<u>Cost</u>	<u>Market Value</u>
Machinery & Equipment -		
Office Equipment	<u>\$4,408</u>	<u>\$4,408</u>
Total	<u>\$4,408</u>	<u>\$4,408</u>
Furniture & Fixtures -		
Total	<u>\$0</u>	<u>\$0</u>
Office Equipment -		
Total	<u>\$0</u>	<u>\$0</u>
Leasehold Improvements -		
Total	<u>\$0</u>	<u>\$0</u>
Vehicles -		
Total	<u>\$0</u>	<u>\$0</u>

Schedule E
Aging of Post-Petition Taxes
(As of End of the Current Reporting Period)

Taxes Payable	<u>0-30 Days</u>	<u>31-60 Days</u>	<u>61-90 Days</u>	<u>91+ Days</u>	<u>Total</u>
Federal					
Income Tax Withholding					\$0
FICA - Employee					\$0
FICA - Employer					\$0
Unemployment (FUTA)					\$0
Income					\$0
Other (Attach List)					\$0
Total Federal Taxes	\$0	\$0	\$0	\$0	\$0
State and Local					
Income Tax Withholding					\$0
Unemployment (UT)					\$0
Disability Insurance (DI)					\$0
Empl. Training Tax (ETT)					\$0
Sales					\$0
Excise					\$0
Real property					\$0
Personal property					\$0
Income					\$0
Other (Attach List)					\$0
Total State & Local Taxes	\$0	\$0	\$0	\$0	\$0
Total Taxes	\$0	\$0	\$0	\$0	\$0

Schedule F
Pre-Petition Liabilities

List Total Claims For Each Classification -	<u>Claimed Amount</u>	<u>Allowed Amount (b)</u>
Secured claims (a)		
Priority claims other than taxes		
Priority tax claims		
General unsecured claims	<u>\$3,514,649</u>	<u>\$3,514,649</u>

(a) List total amount of claims even it under secured.
 (b) Estimated amount of claim to be allowed after compromise or litigation. As an example, you are a defendant in a lawsuit alleging damage of \$10,000,000 and a proof of claim is filed in that amount. You believe that you can settle the case for a claim of \$3,000,000. For Schedule F reporting purposes you should list \$10,000,000 as the Claimed Amount and \$3,000,000 as the Allowed Amount.

Schedule G
Rental Income Information
Not applicable to General Business Cases

Schedule H
Recapitulation of Funds Held at End of Month

	<u>Account 1</u>	<u>Account 2</u>	<u>Account 3</u>	<u>Account 4</u>
Bank	Mutual of Omaha			
Account Type	Operating			
Account No.	31514533			
Account Purpose	Checking			
Balance, End of Month				
Total Funds on Hand for all Accounts	<u>\$200,000</u>			

Attach copies of the month end bank statement(s), reconciliation(s), and the check register(s) to the Monthly Operating Report.

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

Increase/(Decrease) in Cash and Cash Equivalents

For the Month Ended 05/31/09

		Actual Current Month	Cumulative (Case to Date)
Cash Receipts			
1 Rent/Leases Collected			
2 Cash Received from Sales			
3 Interest Received			
4 Borrowings			
5 Funds from Shareholders, Partners, or Other Insiders			
6 Capital Contributions			
7 Transfer from Heritage		\$325	\$200,325
8			
9			
10			
11			
12 Total Cash Receipts		\$325	\$200,325
Cash Disbursements			
13 Payments for Inventory			
14 Selling			
15 Administrative			
16 Capital Expenditures			
17 Principal Payments on Debt			
18 Interest Paid			
19 Rent/Lease:			
20 Personal Property			
21 Real Property			
22 Amount Paid to Owner(s)/Officer(s)			
23 Salaries			
24 Draws			
25 Commissions/Royalties			
26 Expense Reimbursements			
27 Other			
28 Salaries/Commissions (less employee withholding)			
29 Management Fees			
30 Taxes:			
31 Employee Withholding			
32 Employer Payroll Taxes			
33 Real Property Taxes			
34 Other Taxes			
35 Other Cash Outflows:			
36 Transfer to Heritage		\$0	\$200,000
37 Quarterly Chapter 11 Fee		\$325	\$325
38 Total Cash Disbursements:		\$325	\$200,325
39 Net Increase (Decrease) in Cash		\$0	\$0
40 Cash Balance, Beginning of Period		\$200,000	\$200,000
41 Cash Balance, End of Period		\$200,000	\$200,000

STATEMENT OF CASH FLOWS
 (Optional) Increase/(Decrease) in Cash and Cash Equivalents
 For the Month Ended 05/31/09

		<u>Actual</u> <u>Current Month</u>	<u>Cumulative</u> <u>(Case to Date)</u>
	Cash Flows From Operating Activities		
1	Cash Received from Sales		
2	Rent/Leases Collected		
3	Interest Received		
4	Cash Paid to Suppliers		
5	Cash Paid for Selling Expenses		
6	Cash Paid for Administrative Expenses		
	Cash Paid for Rents/Leases:		
7	Personal Property		
8	Real Property		
9	Cash Paid for Interest		
10	Cash Paid for Net Payroll and Benefits		
	Cash Paid to Owner(s)/Officer(s):		
11	Salaries		
12	Draws		
13	Commissions/Royalties		
14	Expense Reimbursements		
15	Other		
	Cash Paid for Taxes Paid/Deposited to Tax Acct.		
16	Employer Payroll Tax		
17	Employee Withholdings		
18	Real Property Taxes		
19	Other Taxes		
20	Cash Paid for General Expenses		
21	Transfer to Heritage	\$0	\$200,000
22			
23			
24			
25			
26			
27	Net Cash Provided (Used) by Operating Activities before Reorganization Items	\$0	(\$200,000)
	Cash Flows From Reorganization Items		
28	Interest Received on Cash Accumulated Due to Chp 11 Case		
29	Professional Fees Paid for Services in Connection with Chp 11 Case		
30	U.S. Trustee Quarterly Fees	\$325	\$325
31			
32	Net Cash Provided (Used) by Reorganization Items	(\$325)	(\$325)
33	Net Cash Provided (Used) for Operating Activities and Reorganization Items	(\$325)	(\$200,325)
	Cash Flows From Investing Activities		
34	Capital Expenditures		
35	Proceeds from Sales of Capital Goods due to Chp 11 Case		
36			
37	Net Cash Provided (Used) by Investing Activities	\$0	\$0
	Cash Flows From Financing Activities		
38	Net Borrowings (Except Insiders)		
39	Net Borrowings from Shareholders, Partners, or Other Insiders	\$325	\$200,325
40	Capital Contributions		
41	Principal Payments		
42			
43	Net Cash Provided (Used) by Financing Activities	\$325	\$200,325
44	Net Increase (Decrease) in Cash and Cash Equivalents	\$0	\$0
45	Cash and Cash Equivalents at Beginning of Month	\$200,000	\$200,000
46	Cash and Cash Equivalents at End of Month	\$200,000	\$200,000

RAPFNGEN - RAP Operating

Statement Date: 05-31-2009 Bank Statement Ending Balance: 200,000.00

<u>Op of</u> <u>Origin</u>	<u>Acct.</u> <u>Date</u>	<u>Description</u>	<u>ID</u>	<u>Subtraction</u>	<u>Addition</u>	<u>Voided</u> <u>Amount</u>	<u>Void</u> <u>Date</u>
Outstanding Checks:							
AP	05-07-2009	US Dpt Jstc US Trstee Prgm	288			325.00	05-07-2009
						325.00*	

Outstanding Deposits:

Outstanding Withdrawals:

Outstanding Adjustments:

RAPFNGEN Total:

325.00

5-31-2009 Adjusted Bank Balance: 200,000.00

Register Balance as of Statement Date: 200,000.00

Register Balance Adjusted for Future Period Vds: 199,675.00

Bank: RAPPENGEN - RAP Operating
Reconciliation Status: Finished
Statement Date: 5-31-2009

Chck#/ Type	Deposit ID	Date	Description	Subtraction	Addition	Cleared Amount	Cleared Date
Chk	289	05-12-2009	US Dpt Jstc US Trstee Prgm	325.00		(325.00)	05-31-2009
Dep	5.09 hlc	05-31-2009	5.09 hlc sweep		325.00	325.00	05-31-2009
STATEMENT TOTALS:				<u>325.00</u>	<u>325.00</u>	<u>.00</u>	

<----- Number of Transactions ----->

Total	Reconciled
-------	------------

Checks:	1	1
Deposits:	1	1
Withdrawals:	0	0
Adjustments:	0	0

<----- Cleared Amounts ----->

Checks:	(325.00)
Deposits:	325.00
Withdrawals:	.00
Adjustments:	.00

MUTUAL OF OMAHA BANK
 P.O. Box 64084
 Phoenix, AZ 85082
 (888) 419-2207
 www.fnbnonline.com

STATEMENT DATE: 5/29/09

ACCOUNT: 31514533

RHODES ARIZONA PROPERTIES, LLC
 DEBTOR IN POSSESSION
 OPERATING ACCOUNT
 4730 S FORT APACHE RD STE 300
 LAS VEGAS NV 89147-7947

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STATEMENT SUMMARY

DEMAND DEPOSITS	200,000.00
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BUSINESS ANALYSIS CK	RHODES ARIZONA PROPERTIES, LLC	Acct 31514533
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Beginning Balance	5/01/09	200,000.00
Deposits / Misc Credits	1	325.00
Withdrawals / Misc Debits	1	325.00
** Ending Balance	5/31/09	200,000.00 **
Service Charge		.00
Average Balance		200,000
Average Collected Balance		200,000
Minimum Balance		200,000

DEPOSITS/CREDITS

Date	Deposits	Activity Description
5/19	325.00	Transferred From DDA Acct#31513006

CHECKS

Date	Check No.	Amount	Date	Check No.	Amount	Date	Check No.	Amount
5/19	289	325.00						

DAILY BALANCE SUMMARY

Date	Balance	Date	Balance	Date	Balance
5/19	200,000.00				

Member FDIC

Rhodes Arizona Properties
Comprehensive Depreciation [Depreciation]
GAAP

For the Period May 1, 2009 to May 31, 2009

Case 09-1484-gwz Doc 258 Entered 06/19/09 09:48:01 Page 13 of 13

Selected Dates		Asset Balances						Depreciable Basis						Current & Accum Depreciation						
Asset ID	Placed in Service Date	Disposal Date	Beginning	Additions	Deletions	Ending	Depr MethConv	Life Yr Mo	Book Cost	Credit Reduction	Bus. Use %	Net S/F/A & AFID	Prior Reported Depreciation	Beginning Accum Depr	Current Depr & AFID	Net S/F/A & AFID	Net Additions	Ending Accum Depr	Net Book Value	
Dep/Exp GL Acct #: (no value)																				
RAP000010	2/8/2007		1,042.07	0.00	0.00	1,042.07	SL100FM	100	1,042.07	0.00	100.00	0.00	198.73	1,042.07	234.46	8.68	0.00	243.14	793.93	
RAP000020	2/8/2007		3,029.69	0.00	0.00	3,029.69	SL100FM	100	3,029.69	0.00	100.00	0.00	580.69	3,029.69	681.69	25.25	0.00	706.94	2,327.75	
RAP000030	2/22/2007		1,677.66	0.00	0.00	1,677.66	SL100FM	100	1,677.66	0.00	100.00	0.00	321.56	1,677.66	377.48	13.98	0.00	391.46	1,287.70	
Subtotal: (no value) (3)			5,749.42	0.00	0.00	5,749.42							0.00	1,101.98	5,749.42	1,293.63	47.91	0.00	1,341.54	4,407.88
Grand Total			5,749.42	0.00	0.00	5,749.42							0.00	1,101.98	5,749.42	1,293.63	47.91	0.00	1,341.54	4,407.88